

Franchise Tax Board**NO ANALYSIS REQUIRED**

Author: Assembly Rev. & Tax. Analyst: Jeani Brent Bill Number: AB 2809
Related Bills: See Prior Analyses Telephone: 845-3410 Amended Date: 07/02/98
Attorney: Doug Bramhall Sponsor: Franchise Tax Board

SUBJECT: Economic Development Areas/Hiring Credit for Employers of Seasonal Employees/NOL Separate Code Sections/LARZ NOL Sunset Date Technical Change

- ☐ ANALYSIS NOT REQUIRED of this bill -- Not within scope of responsibility of this department.
- ☐ TECHNICAL BILL -- No program or fiscal changes to existing program.
- ☐ BILL AS AMENDED NO LONGER WITHIN SCOPE of responsibility or program of the department.
- ☒ TECHNICAL AMENDMENT - No change in previously submitted analysis required. Approved position of prior analysis is Support.
- ☐ MINOR AMENDMENT - No change in previously submitted analysis required. Approved position of prior analysis is _____.
- ☐ MINOR AMENDMENT - No change in approved position of _____. See comments below.
- ☐ OTHER - See comments below.

COMMENTS:

This bill, sponsored by the Franchise Tax Board, would correct a chaptering error by reinstating the December 1, 1998, sunset date of the Los Angeles Revitalization Zone (LARZ) net operating loss (NOL) as enacted by AB 18 (Stats. 1993, Ch. 18). Additionally, to prevent potential future chaptering problems with the various economic development area NOL provisions, this bill would place each economic development area NOL provision into a separate code section, rather than in a subdivision of the same code section.

This bill also would make the following changes to the economic development area hiring credits:

- Credit Percentage:** clarify that the reemployment of seasonal employees shall not constitute commencement of employment. Instead, these employees would be considered continuously employed for purposes of the credit computation.
- Recapture:** provide that the recapture rules apply to credits taken for wages paid to any seasonal employee who is not rehired in the applicable subsequent seasons. Also, define "seasonal employment."

Board Position:

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Franchise Tax Board Staff

Date

Johnnie Lou Rosas

7/17/98

The July 2, 1998, amendments made the following changes:

1. Provide that the LARZ net operating loss provision apply to taxable or income years ending after December 31, 1997, to ensure that the change applies to all 1997 fiscal year taxpayers.
2. Remove the provisions that would add recapture rules to the LARZ hiring credits for seasonal employers. Changes to these code sections are not necessary because the LARZ hiring credits applied only to taxable or income years beginning before January 1, 1998.
3. Correct a reference to subparagraph (B) instead of subparagraph (A).
4. Replace a reference to "the applicable employment compensation provisions" with the appropriate Code of Regulations reference for those employment compensation provisions.

The department's analyses of the bill as introduced March 24, 1998, and as amended April 27, 1998, still apply.